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Introduction

This guide describes what is expected of property management programs within the PSC and the responsibilities of those individuals with key roles in personal property management including Accountable Area Managers, Property Management Officers, Property Accountable Officers, and Property Custodial Officers.

This guide is written to explain the policies and requirements that have been established to fulfill the responsibilities for the care and management of these resources.

This guide has a threefold purpose. First, it is a source document that describes the policies pertaining to property management. It provides answers to the following questions:

- Who is responsible?
- What is the policy?
- Who does the policy affect?
- When is the policy applied?
- Why is the policy used?

Second, it describes the processes and procedures for managing property through its life cycle.

Third, the guide can be cited as a source of support for actions taken to account for property. The guide is designed as a quick reference document enabling users to easily look up the requirements pertaining to key aspects of personal property management.

It is based on laws, Federal regulations, Departmental best practices and common business practices.

Whether it is medical research, health care delivery, or program administration, employees require personal property to perform organization missions. Inherent in the need for and use of personal property are both personal and organizational responsibilities.

Agencies serviced by the PSC as well as offices within the PSC are responsible for ensuring that personal property is properly

- acquired;
- used, maintained, and accounted for; and
- disposed of when it is no longer needed.

Each of these responsibilities places requirements on specific positions and individuals within the organizations. The following box provides a summary of individual responsibilities. Detailed descriptions of the duties and requirements related to these responsibilities are provided throughout this guide.

WHO IS RESPONSIBLE

Every employee is responsible for the proper use, protection, and care of Government property assigned for their use, custody, and/or control. However, there are individuals within organizations who have been assigned specific responsibilities relating to the accountability for, and control of, Government personal property. The following is a brief description of the responsibilities associated with each position.

Executive Officer – The chief administrative official is responsible for ensuring that an appropriate level of management control is established to accomplish property management objectives, particularly as they relate to the control and use of Government personal property.

Property Management Officer – The Property Management Officer (PMO) is appointed by the Executive Officer and serves as the principal advisor on the management of personal property. The PMO is responsible for the performance of the organization's overall property management program, including the property accountability system.

Accountable Area Manager – Accountable areas are major organizational components below the PMO level (e.g., Services, and divisions). The chief administrative officials for these programs are the Accountable Area Managers. Accountable Area Managers are responsible for all personal property in their organizations and for ensuring that adequate resources and systems for the protection, control, utilization, and care of Government personal property are provided.

Property Accountable Officer – The Property Accountable Officer is responsible for the administration and maintenance of the property accountability and control systems within an accountable area. The position of the Property Accountable Officer should be at an appropriate level to ensure sufficient empowerment to accomplish assigned property management responsibilities.

Property Custodial Officer – The Property Custodial Officer is appointed by the Agency Official or designee to accomplish the ongoing functions required to manage and control personal property within a custodial area.

While carrying out property management responsibilities, organization officials may be faced with questions such as

- When should the organization buy new personal property?
- What type of formal justification is required?
- When, in the acquisition process should excess property assets be screened?
- When an item is no longer needed, what disposition action is required?

- When are Reports of Survey required?
- How does a Board of Survey work?
- How should excess property be disposed ?

This guide will help answer such questions. It also address topics such as accountability thresholds, Reports of Survey, handling of unique excess property items, and the organizations eligible for donated property.

The accountability, control, and maintenance of property often receives little

attention until a loss or breakdown occurs. A significant loss of accountable items or the failure of a key piece of equipment because preventive maintenance was not performed creates crises that must be overcome. Under these circumstances, everyone wants to know how property management is supposed to work. As stewards of Government property, organizational and personal responsibilities must be understood and discharged from “cradle to grave.”

PART II

References and Glossary

REFERENCES

A number of statutes and regulations directly impact the management of personal property. This part describes the most important ones.

Federal Property and Administrative Services Act of 1949

This act addresses the basic laws and authorities relating to property management. The act established the General Services Administration (GSA) and authorized it to prescribe acquisition and property management regulations for Federal agencies. The act, as amended, requires the heads of Federal agencies to issue supplemental acquisition and property management regulations and procedures where necessary.

Additional details regarding Federal managers' responsibilities for Government assets, including personal property, and related financial accounting responsibilities are addressed in the Chief Financial Officers Act of 1990 (P.L. 101-576) and the Federal Managers' Financial Integrity Act of 1982.

Auditing and Accounting Act of 1950 (Title 31, U.S.C. 66a)

The Auditing and Accounting Act of 1950 requires Federal agencies to establish and maintain systems of accounting which include effective control over property.

Federal Property Management Regulations (FPMR)

The FPMR is the primary document defining basic property management requirements in Federal agencies.

Federal Information Resources Management Regulations (FIRMR)

The FIRMR describes the procedures for procuring, maintaining, and disposing of automated data processing equipment (ADPE), both hardware and software items, in Federal agencies. The FIRMR is designed to address the acquisition, management, and use of Federal Information Processing (FIP) resources by Federal agencies.

General Accounting Office (GAO), Title 2 (GAO Title 2)

This manual contains the Government's accounting policies and standards. In it, the GAO's policies regarding capitalization and depreciation of personal property are described in terms of the Government's accounting standards. The GAO Title 2 manual also stipulates the requirement that agency property records be reconciled on a periodic basis with the general ledger.

Department of Health and Human Services (DHHS) Logistics Management Manual (LMM)

The DHHS LMM is the Department's policy guidance on logistics, including personal property, motor vehicle, supply, traffic, and transportation management programs. It is organized to parallel the FPMR and provides DHHS components with guidance about topics that are not thoroughly described in Federal regulations.

Department of Health and Human Services Accounting Manual

The DHHS Accounting Manual, Chapter 1-30 addresses financial requirements involving property management. The chapter provides details on establishing the value of property,

reiterates the inventory frequency requirements of the DHHS LMM, and establishes requirements for monthly reconciliation of subsidiary property records and the general ledger accounts. The chapter also requires reconciliation of the subsidiary property records with the results of the annual physical inventory of personal property.

Department Procedures Guides

DHHS has published a series of logistics procedures guides for use in managing component logistics programs including the DHHS Property Custodial Officers Guide and the January 1994 Final Report "Evaluation and Measurement in DHHS Personal Property Management Programs."

GLOSSARY

The terms used in this guide are based on the DHHS Logistics Management Manual, the Department's procedures guides, and the FPMR. Terms used extensively in this guide are defined below:

Accountable Area — An organizational unit or agency component immediately below the agency level (e.g., institute, bureau, or center), reporting directly to the Agency Head as a distinct unit.

Accountable Area Manager — The chief administrative official or Executive Officer for an accountable area.

Accountability — The obligation to keep records of property such as identification, location, gain, loss, transfer, disposal, and balances on hand or in use.

Accountable Property — Nonexpendable personal property items whose expected useful life is 2 years or longer and whose acquisition value is \$5,000 or greater and items classified as sensitive.

Administrative Controls — A form of stewardship, controlled access, and summary accounting reflecting prudent, responsible management of personal property that is not classified as accountable property or sensitive equipment. For example, the control of access to supplies of inexpensive calculators is an administrative control.

Board of Survey — A committee comprised of three or more officers and/or employees appointed in writing to review a Report of Survey involving the loss, theft, damage, or destruction of personal property

having an acquisition cost of more than \$500,000, or issues of personal financial liability referred by the Executive Officer or the PMO.

Capitalized Equipment — Property that has been entered on the general ledger records of an agency as an investment or asset. Capital equipment includes nonexpendable items whose expected useful life is 2 years or longer with an acquisition value of \$25,000 or greater.

Excess Personal Property — Property that is not needed by any agency in the DHHS and is made available for screening by other Federal agencies for redistribution.

Maintenance — The routine, recurring work required to keep property in operating condition. It includes cleaning, calibration, and repair.

Personal Property — Includes all expendable and nonexpendable supplies and equipment items not defined as real property.

Physical Inventory — The act of personally observing and counting items of personal property, recording the count, and comparing the count with official records for the purpose of reconciliation.

Property Accountability System — The system that maintains records of accountable property. These records are used for several purposes, such as establishing a basis for conduct of the physical inventory. Regardless of whether the system is manual or automated, the key to its usefulness is record accuracy.

Property Accountable Officer — The individual responsible for the administration and maintenance of the property accountability and control systems within an accountable area. The position of the Property Accountable Officer should be at an appropriate level to ensure accomplishment of the assigned property management responsibilities.

Property Custodial Officer — An individual appointed by an Agency Official to accomplish the ongoing functions required to manage and control personal property within a unit of the organization designated as a custodial area. The number of Property Custodial Officers and corresponding custodial areas are based on the size of the accountable area.

The Property Custodial Officer should have sufficient authority and supervisory support to accomplish administrative actions and issue directives or instructions necessary to serve the needs of property management within the custodial area including proper use, maintenance, and protection of property.

Property Management — The broad function of the management, coordination, and regulation of activities concerned with personal property. Basic property management functions include requirements determination, acquisition, accountability, maintenance, utilization and disposal of personal property.

Property Management Officer — The individual appointed by an organization's Executive Officer who has the knowledge, stature, and authority required to effectively control the planning, use, maintenance, and disposal of all agency personal property. The PMO is responsible for the performance of the overall property management program, including the property accountability system.

Reconciliation — The procedure by which the records in one system are compared to those in another system. The objective of a reconciliation (whether it is done between the property accountability system and the general ledger or between a physical inventory and the property accountability system) is to compare information between two sources and to determine if it coincides and, if the information does not coincide, to make the appropriate adjustments. For example, in the case of physical inventory reconciliation with the accountability system, inventory adjustments will be investigated and the results of the review must be documented to support making changes to the property accountability records.

Report of Survey — The document used to: record and present findings and recommendations concerning the loss, theft, damage, or destruction of Government property; approve corrective actions, including financial recovery efforts; approve the resulting adjustments to the property accountability records.

Salvage — Personal property with some value but the cost to restore the item to serviceability for its originally intended purpose is clearly impractical. A cost of repair exceeding 65 percent of acquisition cost may be used as a guideline.

Scrap — Personal property with no value except basic material content.

Sensitive Property — Personal property items that require special control or are determined to be subject to unusual rates of loss, theft, or misuse.

Supplies — Items, consumable in nature, needed to equip, maintain, operate, and support agency activities. Consumable supply items lose their identity in consumption and use.

Surplus Personal Property — Government-owned property that is not needed

by any Federal agency, either in DHHS or in any other Executive agency.

Unrequired Property — Agency personal property that is no longer needed by the agency. This property is made available to DHHS agencies for screening before it is declared excess and offered by GSA to other Federal organizations.

PART III

Accountability Requirements and Responsibilities

WHAT IS ACCOUNTABLE PROPERTY?

The DHHS defines accountable personal property as: Items that are classified as non-expendable property (2 years or longer expected life), and have an acquisition cost of \$5,000 or greater; and

Items that are classified as sensitive regardless of acquisition value. (Sensitive items are those that require special control or are determined to be subject to unusual rates of loss, theft, or misuse).

WHAT ARE SENSITIVE ITEMS?

The following personal property items are designated by DHHS as sensitive regardless of dollar value and are therefore included in the definition of accountable property:

- CPU's (including Portable)
- Display Terminals
- Printers
- Weapons (including tranquilizer guns).
- Fax Machines
- Televisions
- VCR's
- Cameras (costing more than \$500)

The Agency PMO may designate a listing of additional items considered sensitive.

ACCOUNTABLE PROPERTY

Accountable property is bought or leased with the taxpayers' resources and it is to be used in performing organization missions. Records are maintained to track the status of accountable property from acquisition to disposal. All Federal Agencies have a responsibility to taxpayers to see that property is well maintained and controlled throughout its life cycle. Accountable items are defined in the box that follows.

Leased Equipment

Equipment leased by Federal Agencies must be accounted for in the same manner as Government-owned property. Leased equipment must be decaled or bar coded with the organization's identification and carried as an asset in the accountability system. Other property management requirements, such as conducting annual inventories and controlling the movement of the leased equipment, must also be met.

BASIC PRINCIPLES AND GENERAL REQUIREMENTS

All persons entrusted with Government property are responsible for its use, care,

custody, and safekeeping. All Government personal property is to be used for official

purposes only. No personal property will be sold, given as a gift, loaned, exchanged, or otherwise disposed of unless specifically authorized by law. Items replaced in kind and payments made for lost, damaged, or destroyed personal property do not constitute a sale of property.

The acquisition of personal property must be justified by valid needs that support the performance of organization missions.

All accountable personal property acquired by Federal Agencies must be controlled by maintaining records that establish an audit trail or chain of custody. The records must show the location of accountable property and the individuals responsible for its care and safekeeping. The accounting will be continuous from the time of ordering and acquisition until the ultimate consumption or disposal of the property occurs.

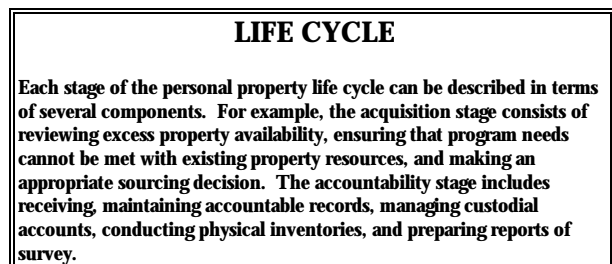
A complete physical inventory of accountable property will be made and reconciled with property accountability records at least once every year, or every three years if on a modified three year cycle.

Inventories of custodial areas are also required upon change of Property Custodial Officers.

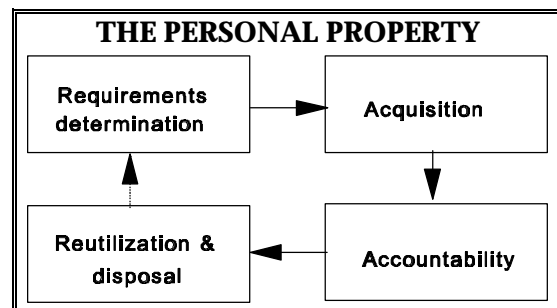
Employees must turn in all found Government property to their Property Custodial Officer, Property Accountable Officer, or Property Management Officer (or otherwise notify them and describe the property to them). Any such property meeting the definition of accountable property must then be recorded in the property accountability system.

THE PERSONAL PROPERTY LIFE CYCLE

The personal property life cycle consists of four stages: (1) Requirements Determination; (2) Acquisition; (3) Accountability (including maintenance); and (4) Reutilization and Disposal.



Within each stage of the life cycle, Property



Management Officers, Property Accountable Officers, Property Custodial Officers and property users have specific responsibilities to assure that Government-owned and leased property is safeguarded from fraud, waste, and abuse.

RESPONSIBILITIES

Executive Officers

The agency Executive Officer is responsible for ensuring that an appropriate structure for control of property is developed, including the establishment of property management responsibilities for Accountable Area Managers.

Property Management Officers

The Property Management Officer is responsible for the overall performance of the organization's property management program including: utilization of property; management of unrequired personal property and excess; rehabilitation and maintenance; and support to the contracting function in the areas of needs assessment and availability of unrequired or excess personal property in lieu of new purchases.

The Property Management Officer:

- Reviews and evaluates property management policies, systems, and procedures;
- Participates in the development of property management policies, systems, and procedures and assists in their application to the requirements of the organization's activities;
- Is responsible for the operation and accuracy of the property accountability system and ensuring the required data is furnished to the finance office in support of the general ledger for personal property assets;

- Reviews and evaluates personal property management activities, identifies weaknesses and recommends measures for strengthening property management;
- Provides assistance to Accountable Area Managers and Property Accountable Officers in establishing and coordinating custodial areas within their accountable area as necessary to effectively manage and control property;
- Establishes the schedule for performance of physical inventories and ensures that all accountable area inventories are conducted;

Accountable Area Managers

The Accountable Area Manager is responsible for all personal property within the accountable area and for ensuring that adequate resources and systems for the protection, control, utilization, and care of Government personal property are provided.

Property Accountable Officers

The Property Accountable Officer:

- Is personally accountable for all property and property actions occurring within the accountable area;
- Ensures that all employees of the accountable area are made aware of their responsibilities; and

- In coordination with the Accountable Area Manager, establishes custodial areas and designates Property Custodial Officers based on the size of the accountable area and the magnitude of staff responsibilities assigned. Custodial accounts vary in size within organizations. The Property Accountable Officer must ensure that accounts are structured so that Property Custodial Officers are able to exercise a reasonable level of control over the personal property in them. The three characteristics that should be taken into consideration when assigning custodial accounts are geographic dispersion of the property, total dollar value of the property, and the number of property items in the account.
- Is responsible for the maintenance of property accountability records of all acquisitions, transfers, and disposals in the accountable area.
- Provides information regarding the acquisition, transfer, and disposal of items of capitalized equipment to financial accounting officials for posting to general ledgers.
- Is responsible for ensuring the completion of physical inventories of all accountable personal property within the accountable area and reconciliation of such inventories with property accountable records and financial management general ledger accounts.
- Maintains a listing of officially appointed Property Custodial Officers and the authorities and responsibilities given to them.

- Requires all personnel to give full cooperation to the Property Custodial Officers in the discharge of their responsibilities.
- Manages the property utilization and disposal program for the accountable area.

Property Custodial Officers

The Property Custodial Officer is the link between the Property Accountable Officer and the personnel who use the organization's property. Property Custodial Officers are designated by the Accountable Area Manager. A Property Custodial Officer should be an employee who is in a supervisory or other position capable of influencing appropriate action in the care, use, and maintenance of property for which they are responsible.

Each Property Custodial Officer, acting under the general guidance of the Property Accountable Officer shall be responsible for the management of property throughout the custodial area. The Property Custodial Officer is responsible to the Property Accountable Officer for all accountable property in the custodial area.

Property Custodial Officers are required to perform the following specific duties to ensure that the records of personal property in the designated custodial area are accurately maintained:

- Maintain current custodial records for all accountable personal property within their assigned custodial area.

- Initiate or process documents affecting accountability or custody of personal property. Ensure all property movements into or out of the custodial area including additions, transfers and deletions are documented, and that the documentation is provided to the Property Accountable Officer.
- Ensure that personal property is properly maintained and protected, and is used only for official purposes.
- Identify and report to the Property Accountable Officer any personal property which is not required for use in the custodial area.
- Ensure that missing personal property is promptly reported to the security office.
- Promptly submit a Report of Survey to the Property Accountable Officer for any lost, damaged, stolen, or destroyed personal property.
- Report found personal property to the Property Accountable Officer in order to establish accountability.
- Participate in/or conducts physical inventories of the custodial area as needed.
- Ensure compliance with agency employee exit clearance procedures to account for all assigned property.
- Conduct periodic utilization surveys to screen for idle property.

Additional information and assistance for the Property Custodial Officer is available in the DHHS Property Custodial Officers Guide.

Individual HHS Employees

ALL employees are responsible for the proper use, protection and control of any property assigned to them. In accordance with the DHHS Standards of Conduct (45 CFR 73.735-305), employees shall not use Government property for other than official purposes and have a positive duty to protect and conserve Government property. In addition employees:

- Shall be held liable for violation of their responsibilities when they result in losses to the Government through gross negligence.
- May accept property only when properly assigned custody and control by a Property Custodial Officer or Property Accountable Officer.
- Shall not remove any property from a custodial or accountable area unless such removal is made with the consent of the Property Custodial Officer or Property Accountable Officer.
- Shall not use or permit any other person to use DHHS property for any purpose not authorized by law, except in emergencies that threaten life, personal safety, or property.
- Shall not appropriate for personal use any articles of property, including property which has been ordered abandoned or destroyed.

- Shall report to the Property Custodial Officer all property lost, damaged, stolen, or destroyed.
- Shall return all property for which they are personally responsible and accountable when leaving the jurisdiction of an accountable area.

PART IV

REQUIREMENTS DETERMINATION

INTRODUCTION

Requirements determination is the first stage of the personal property life cycle and involves defining needs for specific personal property items to accomplish an organization mission, and identifying appropriate sources for acquisition. The Property Management Officer must ensure that employees are advised of the proper procedures for determining and justifying new equipment requirements.

Identification and Justification

Typically, the user is responsible for the identification and justification phase. This includes the forecasting of requirements for equipment replacement and modernization and the identification of equipment needed to meet additional missions, advances in technology, or standards of work performance.

Acquisition

While acquisition of personal property is primarily a responsibility of the procurement professional, property managers also participate in this function. The FPMR states that unrequired or excess personal property is the first source to be considered to meet personal property needs. The cooperation of property management and procurement staffs is critical to achieving this objective.

Unrequired Property Availability

All agencies must maintain systems to provide information regarding the availability of unrequired personal property. PMOs are required to establish procedures which provide access to unrequired personal property. The procedures should include providing information to and obtaining information from other DHHS organizations regarding available excess property to meet requesters' needs.

Information about unrequired personal property in other DHHS components can be obtained from the property management staffs at the Operating Divisions (OPDIVs). The DHHS Special

Acquisition Initiatives Staff in the Office of the Secretary maintains a current listing of OPDIV points of contact and Property Management Officers.

Excess Property Availability

In addition to property available within DHHS, property available from other Federal agencies, including DoD, can be acquired by the PMO or their designee. In most cases, excess property can be acquired without charge. Additional information about excess property is provided in the Utilization and Disposal section of this guide.

For excess from other Federal agencies, the GSA's Federal Supply Service operates an excess property electronic bulletin board called the Federal Excess Distribution System (FEDS). FEDS is available 24-hours a day and can be accessed by customers through use of a computer and modem or via a local area network. FEDS customers can inquire about excess property that GSA or other Federal agencies have available for reutilization.

Sourcing Decisions

The Federal Acquisition Regulation (FAR) and the FPMR both stipulate sources of acquisition in priority order. They indicate that Executive Agencies must satisfy requirements for personal property (including supplies) and services from the sources listed below in descending order of priority:

➤ **Personal Property (including supplies):**

Agency inventories

Excess from other agencies

Federal Prison Industries, Inc.

Procurement lists of products available from the Committee for Purchase from the Blind and Other Severely Handicapped

Wholesale supply sources, such as the stock or special order established source programs of the:

DHHS Supply Service Center (Perry Point);

the General Services Administration;

the Defense Logistics Agency;

the Department of Veterans Affairs;

and

military inventory control points

Mandatory Federal Supply Schedules

Optional use Federal Supply Schedules

Commercial sources (including educational and nonprofit institutions)

➤ **Services:**

Procurement lists of services available from the Committee for Purchase from the Blind and Other Severely Handicapped

Mandatory Federal Supply Schedules

Optional use Federal Supply Schedules

Federal Prison Industries, Inc., or other commercial sources (including educational and nonprofit institutions).

In the event circumstances warrant consideration of unlisted or out of priority sources, the FAR and the FPMR should be consulted.

Lease/Buy Decisions

These guidelines include such considerations as how long the personal property will be needed, its value to other Federal agencies, the cost of the lease versus the cost of purchase and installation, and the prospect that the item will become obsolete due to rapidly changing technology.

A lease/buy evaluation should be conducted for items that meet the following criteria:

- The item is expected to be used for 2 years or less; and/or
- The item is subject to fast changing and evolving technology, rendering it obsolete in a short period of time.

Guidelines for evaluating lease agreements for personal property in lieu of purchases are provided in FPMR 101-25.5 and FAR 7.4.

Guidelines for evaluating lease/buy decisions involving Federal Information Processing Equipment are contained in the Federal Information Resources Management Regulations (FIRMR 201-20).

PART V

Use and Control of Personal Property

ACCOUNTABILITY

Accountability is the obligation to maintain accurate records of the location of property and any changes in its status, including gains, losses, transfers, and disposals.

ACCOUNTABILITY

The DHHS LMM defines accountability as “an obligation imposed by law, administrative order, or regulation, upon officials of DHHS to render an accounting to another official for funds or property entrusted to them, whether DHHS owned, leased, or acquired by loan from another source.”

All employees are responsible to both the nation’s taxpayers and to others in the organization to ensure that Government-owned and leased personal property is safeguarded and protected from abuse, misuse, loss, damage, or destruction. Individuals may be held financially liable for property should it be lost, stolen, damaged, or destroyed while it is entrusted to their care.

For individuals, accountability for property only stops when it has been transferred to someone else. For agencies, accountability stops when an item is disposed of or transferred to another organization.

Based on the size of an organization, its organizational structure and personal property holdings, specific responsibilities and duties for the ongoing accountability and control of personal property are assigned to the Property Management Officer, Property Accountable Officers, and Property Custodians.

Accountability requires not only that personal responsibility be assigned for each item, but that the status of each item be periodically verified and appropriate action be taken when accountable property is lost, stolen, damaged, or destroyed.

Major components in the accountability stage of a property item’s life cycle are addressed in this part and include receiving, accountable records, custodial accounts, physical inventories, and disposal records.

RECEIVING

Property Custodial Officers must ensure that receiving reports for all personal property for which they are accountable, including property received by purchase order, transferred from other organizations or purchased by credit card, are submitted to the Property Accountable Officer (PAO) for recording in the property accountability records. The Property Accountable Officer must ensure that the receipt of items to be capitalized in the agency's financial records is reported to the cognizant fiscal office. Records that support each entry must be maintained by the PAO.

DHHS PROPERTY ACCOUNTABILITY RECORDS

To meet minimum accountability and finance system needs, property accountability records should include the following data elements:

Decal/bar code number	Federal stock classification
Item description	Receiving organization
Serial number	User name
Manufacturer	Property custodian code
Model	Location information
Status (i.e., excess, storage, or loan)	Transaction date
Custodial code	Transaction code
Acquisition cost	Common Account Number (CAN)
Acquisition date	Condition code
Purchase order number	Lease cost (annual)
Estimated life	Lease expiration date
Depreciation	Warranty expiration date
Object classification	Maintenance contract code

DHHS components may collect any other data determined to be necessary to properly manage and account for personal property.

Since the responsibility for receiving property varies, organizations must:

- Issue detailed instructions for receiving shipments of property. The instructions must direct receiving officials to ensure the accuracy of the receiving documents and take immediate action to correct any discrepancies.
- Have a mechanism in place to ensure that directly delivered property is upon receipt, immediately recorded in both the property accountability records and, for capitalized property, in the fiscal records.

It is essential that all receiving reports be prepared and forwarded as expeditiously as possible in order that payment may be made at the appropriate time, especially in the case of receiving reports covering contracts that involve discounts for prompt payment.

The use of electronic information systems to record and track receiving actions is encouraged.

Property received from a vendor should be accompanied by a receiving report such as HHS-393, Purchase/Service/Stock Requisition, or OF-147, Order for Supplies or Services. The receiving report should be used to show receipt of property from a vendor under the terms of a contract or purchase order.

PROPERTY ACCOUNTABILITY RECORDS

The most fundamental aspect of accountability is the accuracy of the property records. An accountable record for each item that an agency owns or leases must be established and maintained. The preferred medium for those records is an automated system. The box on page 5-3 lists data elements typically included in DHHS property accountability records. Property Management Officers should ensure that the property accountability records include sufficient data to meet accountability and financial system information needs.

The property accountability records for each accountable area serve as the subsidiary ledger for the financial accounting system. Any other data bases or automated systems used to track and account for personal property assets are secondary sources of information and are not recognized as the official property accountability records.

Some organizations have Information Resources Management (IRM) staffs who keep track of ADPE, including internal computer components and peripherals, and proprietary and commercially licensed software. While their data bases are valuable for IRM staff activities, they are not recognized as a part of official property accountability records. Therefore, each IRM staff must coordinate the information in its data base with that in the property accountability records system. It is especially critical to ensure that major configuration changes to ADPE are documented and shared with the Property Management Officer for incorporation in the property accountability system.

FINANCE SYSTEM (CAPITAL EQUIPMENT)

GAO Title 2 requires that the finance staff report general ledger balances of the value of capitalized equipment to the Office of Management and Budget (OMB) as part of its scheduled reporting cycle. The Department requires components to reconcile subsidiary ledgers (property records) for capitalized equipment with the general ledger on a monthly basis and to also reconcile the results of physical inventories with the general ledger.

In the reconciliation between the subsidiary ledger and the general ledger, the accuracy of the acquisition value, receipt date, expected useful life, and method used to depreciate the property must be ensured. Discrepancies must be reviewed to determine the source of the variance between the subsidiary ledger and the general ledger.

ADDING PROPERTY

Newly acquired personal property should be added immediately to the property accountability system and tagged with a label or bar code. Required information should be communicated to the Property Accountable Officer so the personal property can be added to the accountable inventory.

Personal property transferred from one custodial account to another requires that the agency property records be revised to drop it from the "losing" custodial account and add it to the "gaining" custodial account. The transfer must be coordinated between the losing and gaining Property Custodial Officers and Property Accountable Officers.

Property loans between accountable areas or custodial areas within an accountable area must be reported to the cognizant Property Accountable Officer(s) who must maintain a record of the loan in sufficient detail to control the loaned property.

Property that is found with no accompanying documentation must be reported to the Property Accountable Officer.

DROPPING PROPERTY

Property is dropped from custodial accounts through several processes. Property that is no longer required in the custodial area is reported to the Property Accountable Officer as available for transfer to another custodial area or for disposal through the utilization and disposal process. If it is no longer needed in the accountable area it is then reported to the PMO. Property that is transferred to another custodial area needs to be dropped from the losing custodial account. Property that is lost, stolen, or destroyed also needs to be dropped from the custody records. Corrections resulting from duplicate records, incorrect nomenclature, or other errors in identification could also be included as drops.

The reutilization and disposal process is discussed in detail in Part VI of this guide.

To be dropped from a custodial account, property that is lost, stolen, or destroyed requires the preparation, review, and approval of a Report of Survey. If a Property Custodial Officer determines that property is missing from the custodial area, then the Property Custodial Officer must submit a Report of Survey to the

Property Accountable Officer. The Report of Survey requirements are discussed in more detail later in this guide.

LOANING PROPERTY TO OTHER FEDERAL AGENCIES AND NONFEDERAL ORGANIZATIONS

Procedures for accomplishing loans of personal property to non-Federal organizations, to other Government agencies and internally within the Department are included in DHHS LMM. Executive Officers or PMOs must approve loans to nonfederal organizations. Loans to other Federal or DHHS agencies must be approved by the PMO.

Property on loan remains on the accountable records of the activity making the loan. The receiving activity is responsible for the care and control of the loaned property.

CANNIBALIZING PROPERTY

Cannibalization is the removal of parts from a piece of property to repair a like item. DHHS LMM describes situations when cannibalization is permitted. In instances where cannibalization is cost effective and required to meet program needs but does not meet all the cited requirements, the Property Accountable Officer may approve cannibalization.

PHYSICAL INVENTORIES

Physical inventories are a means to verify the accuracy of property accountability records.

DHHS policy requires that all accountable personal property be inventoried at least annually,¹ and at the time of a change in the Property Custodial Officers. Property Custodial Officer turnover inventories will be conducted jointly between the new Property Custodial Officer and the relieved Property Custodial Officer.

The Property Accountable Officer must ensure that all property in their accountable area is inventoried as required. The Property Management Officer is responsible for ensuring that the overall inventory is accomplished through the completion of inventories of all accountable areas.

In addition to the Property Custodial Officer, inventory teams should include personnel who are not directly accountable for the property being inventoried.

The results of custodial area inventories are submitted to the Property Accountable Officer by Property Custodial Officers. All discrepancies are investigated. Documentation is submitted to support changes resulting from the inventory.

For the inventory of personal property located off site, active loan agreements or other agency personal assignment records are

¹ DHHS components have the authority to conduct wall-to-wall inventories on a 3-year cycle if they have either a satisfactory statistical level of accuracy or complete one third of the custodial areas each year.

acceptable documentation. For items not found during the inventory process, Reports of Survey must be prepared and submitted as soon as possible following completion of a custodial area's physical inventory.

The Property Management Officer and the Property Accountable Officers are responsible for ensuring the annual inventory is completed through the reconciliation of all accountable areas with the agency's property accountability records.

Reconciliation of the physical inventory results and the property accountability records, including any necessary adjustments, will be completed within 30 days following approval of the Report of Survey.

A record of the inventory and all adjustment documents will be maintained with the property records for a minimum of 2 years.

REPORTS OF SURVEY

A Report of Survey (form HHS-342) is the document used to: record and present findings and recommendations concerning the loss, theft, damage, or destruction of Government property; approve corrective actions, including financial recovery efforts; and approve the resulting adjustments to property accountability records.

PROPERTY SUBJECT TO A REPORT OF SURVEY

The following categories of personal property are subject to Report of Survey action:

- property owned by the Government,

- property on loan to the Government,
- property leased to the Government, and
- property held in trust by the Government.

PREPARATION OF REPORTS OF SURVEY

A Report of Survey must be prepared by the cognizant Property Custodial Officer or Accountable Officer as soon as possible but not more than 90 days after the loss, theft, damage, or destruction of Government property is confirmed.

The Report of Survey should contain a complete description of the property involved, its acquisition value (or a reasonable estimate), and:

- For cases involving inventory discrepancies or other events which indicate problems in the property management system, the Report should include: findings as to the cause(s) of the loss, theft, damage, or destruction; and recommendations for corrective actions to prevent similar occurrences in the future, including changes in management controls if necessary.
- For cases involving the potential for establishment of personal liability, the Report should include: the facts surrounding the reported, loss, theft, damage, or destruction; a description of any evidence of employee theft, negligence, misconduct, or reckless disregard for the property; and recommendations concerning the appropriateness of holding any employee(s) financially liable. The Report also should include any recommended

The Accountable Area Manager may establish a Board to review a Report of Survey

action by fiscal, legal, and investigative offices.

REVIEW AND APPROVAL OF REPORTS OF SURVEY

All Reports of Survey must be reviewed prior to approval to determine the adequacy of the findings and recommendations and, if necessary, to modify and/or expand the findings and recommendations.

The Accountable Area Manager may review and approve Reports of Survey involving personal property with an acquisition value up to \$150,000 within his or her accountable area, other than those involving issues of personal liability which may be referred to a Board of Survey at the discretion of the Accountable Area Manager.

The PMO may review and approve Reports of Survey with an acquisition value from \$150,001 to \$500,000, other than those involving issues of personal liability which may be referred to a Board of Survey at the discretion of the PMO.

Reports of Survey involving property with an acquisition cost over \$500,000, must be reviewed by a Board of Survey, consisting of three or more employees appointed by the Organization Head. A Board of Survey must also review Reports of Survey involving issues of personal liability which are referred to the Board. The Organization Head is responsible for the approval of Reports of Survey reviewed by agency Boards of Survey.

involving unique circumstances such as continuing losses resulting from property

management system failures or internal control weakness under the Federal Managers' Financial Integrity Act. The Property Management Officer will make the final decision on Reports of Survey reviewed by Boards of Survey.

The approval of a Report of Survey authorizes the necessary adjustments to the accountable property records and documents acceptance of the recommendations contained in the Report.

EQUIPMENT MAINTENANCE

Each organization should establish or participate in a program designed to maintain equipment as economically as possible to obtain its maximum service life. The program should include: preventive Maintenance, calibration, unscheduled maintenance, and repairs.

Equipment maintenance may be accomplished by several methods, including:

- Use of agency personnel,
- A contract for a particular class of property such as a maintenance contract for all personal computers in an agency, and
- Maintenance contracts on individual pieces of equipment, especially unusual or maintenance intensive items.

Maintenance Responsibilities

Regardless of the method used to maintain equipment, the responsibilities are distributed between:

of the criteria for making repair or replacement decisions, but those criteria are based primarily on the cost to repair the items versus the cost

- Equipment users,
- Procurement officials,
- Property Accountable Officers,
- Maintenance activities, and
- The Property Management Officer.

Equipment users must ensure that the property they operate is safeguarded from damage or abuse and must also:

- Operate the equipment in accordance with the manufacturer's specifications.
- Respond to the maintenance activity's requirements to turn the item in for preventive maintenance or calibration.
- Promptly report the need for unscheduled maintenance or repairs to the appropriate maintenance activity.
- Refrain from performing maintenance or repairs on the equipment unless specifically qualified and authorized to do so.

The maintenance activity is a source of information on equipment maintenance and repairs. Organizations should:

- Establish maintenance schedules for the equipment under their control.
- Establish repair capabilities for property, whether it is with in-house personnel or through contract instruments.
- Record the costs of keeping the equipment operational and in service, either by item or by category.
- Make realistic recommendations for repair or replacement of items that are in service.

The FPMR and the FIRMR address some

of acquiring a new replacement. Consideration should also be given to the reliability of an item when making the repair or replacement

decision. Items that constantly break down and are in the repair cycle more time than is reasonable should be replaced. The historical data kept by the maintenance activity will support the replacement decision.

- Report abuse of equipment to the Property Accountable Officer for the purpose of initiating a Report of Survey. If contractors are used to maintain equipment, they should be required to report abuse as part of the statement of work in their contract.
- In cases where there is no formal or designated maintenance activity, the office responsible for conducting or acquiring maintenance services for personal property is responsible for establishing a maintenance history.

The PMO is responsible for following through on reports of abuse and ensuring that maintenance records accompany equipment when it is turned in as excess to the organization's needs.

EQUIPMENT WARRANTIES

Basic manufacturers' warranties are included with much of the equipment acquired by DHHS agencies. Extended warranty programs are not authorized to be used unless the extended warranty is more cost effective than any other means of maintaining the equipment.

The proper application of equipment warranties, including adherence to the terms and conditions of warranties, is dependent on coordination and cooperation among the following individuals and organizations:

- Report the warranty to the Property Accountable Officer if separate from the

- Equipment users,
- Procurement officials,
- Maintenance activities,
- The Property Management Officer,
- Property Accountable Officers, and
- Property Custodial Officers.

Each of these individuals and organizations has specific responsibilities to ensure that their organization takes advantage of manufacturers' warranty programs. The following paragraphs describe the distribution of responsibilities related to property under warranty.

The equipment user, or the person(s) for whom the equipment is acquired, is responsible for the following actions pertaining to warranted equipment:

- Establish the date the item is placed in service. That date initiates the term in which the warranty will be effective.
- Forward all warranty documents to the appropriate maintenance activity so that a maintenance history record can be established for the item.
- Become familiar with the preventative maintenance cycle, calibration requirements, and the requirements for proper care and use of the equipment.

Maintenance activities differ by organization and by equipment classification. Maintenance organizations are responsible for the following actions pertaining to warranted equipment:

- Report initiation of the warranty to the manufacturer.

maintenance staff, so the warranty expiration date may be entered into the property record.

- Exercise warranty privileges for covered repairs.
- Perform or obtain preventive maintenance services including calibration.
- Establish maintenance and repair procedures for the equipment when its warranty expires.

The Property Accountable Officer should ensure that the warranty expiration date is entered into the organization's property management data base for the warranted equipment.

The Accountable Area Manager's role in the warranty process is one of oversight and it includes the establishment and enforcement of procedures to ensure that users of warranted equipment carry out their responsibilities.

PART VI

Reutilization and Disposal

FINAL PHASE OF THE PERSONAL PROPERTY LIFE CYCLE

The reutilization and disposal phase of the personal property life cycle is described in detail in Subchapter H of the FPMR and in Subchapter H of the DHHS LMM. Personal property moves through the reutilization and disposal phase from the time it is no longer required until it is transferred, donated, sold, or scrapped.

OBJECTIVES

The five objectives of reutilization and disposal are described below.

First, properly describe and account for all Government property that is no longer required. Property Custodial Officers and Property Accountable Officers must ensure that unrequired property is described clearly and that it is reported for disposal. To properly expedite processing through the reutilization and disposal cycle, the condition of the property must be accurately described and supported by repair and maintenance records.

Second, promote the maximum use of unrequired property in lieu of new procurement, throughout DHHS and other Federal Agencies. Organizations should, to the maximum extent possible, reutilize unrequired, excess, and surplus property.

Third, transfer excess and surplus property to eligible recipients.

Fourth, obtain the optimum dollar amount achievable from the sale of surplus property.

The fifth and final objective is to minimize the need for abandonment and destruction of surplus property. All reasonable avenues should be taken to redistribute, transfer, donate, or sell excess and surplus property before it becomes a candidate for abandonment or destruction. However, personal property identified for abandonment or destruction should be eliminated from storage areas immediately upon such classification.

EXCHANGE/SALE AUTHORITY

In accordance with the Federal Property and Administrative Services Act, Federal agencies are authorized to exchange or sell personal property when acquiring similar replacement items. Organizations are authorized to apply exchange allowances or sales proceeds in total or partial payment for the replacement property acquired. Specifics regarding eligibility and detailed procedures are included in FPMR 101-46 and DHHS LMM 103-46.

SALVAGE/SCRAP DETERMINATIONS

Personal property identified as salvage or scrap should not be processed as unrequired or excess property. Accurate identification of personal property as salvage or scrap is a critical step in the reutilization process. The inclusion of salvage and scrap items (junk) with other valuable and useful equipment identified as unrequired or excess reduces overall potential for reutilization of equipment as users have reduced confidence in the reliability and condition of unrequired equipment.

Salvage is defined as property with some value but repair to permit use for its originally intended purpose is clearly impractical. A cost of repair exceeding 65 percent of acquisition cost may be used as a guideline.

Scrap is defined as property with no value except basic material content.

PMOs, Accountable Area Managers, Property Accountable Officers, and Property Custodial Officers all have the authority to identify items as salvage or scrap. Equipment users should be involved in the process. Concise documentation of scrap and salvage decisions should be prepared and submitted to the PMO for review and certification. Items

Property Custodial Officers, Property Accountable Officers and PMOs are responsible for identifying idle property in their areas of

identified as salvage or scrap should be removed from property accountability records.

When personal property is identified as salvage, the equipment may be used for parts, donated, or sold in bulk. Scrap material may be sold or destroyed as appropriate. Details regarding donation or sale of personal property are provided in this section.

UNREQUIRED, EXCESS, OR SURPLUS?

Reutilization and Disposal Classifications

Property that passes through the reutilization and disposal process is classified as either *unrequired*, *excess*, or *surplus* property.

Unrequired Property: Property available for transfer within DHHS. The property is not available to other Federal agencies.

Excess Property: Property not required by DHHS. Property in this classification is available to other Federal agencies.

Surplus Property: Property not required by any Federal agency available for transfer to organizations external to the Federal Government.

The time between the reporting of an item to GSA as excess to DHHS needs until it is donated, transferred, sold, or scrapped, should not exceed 180 days. Agencies must aggressively manage property through the utilization and disposal process to ensure that the 180 day performance goal is met. If the 180 period is not met and no extension is requested by GSA based on an identified need, agencies should dispose of items through donation, sale, or destruction as appropriate.

UNREQUIRED PROPERTY

responsibility and for determining whether or not it is needed. Idle property should be identified during walk through inspections of

work spaces or during annual inventories. Property Custodial Officers, must periodically perform a walk through for the purpose of identifying unrequired property.

Transferring Unrequired Property

Transfers of unrequired property will be accomplished using the Department's Request for Property Action document, the DHHS Form 22, or a locally developed substitute document. The HHS-22 must accompany the property being transferred and it must clearly indicate the party initiating the transfer and the party receiving the property. The HHS-22 (or its authorized substitute) is an official record of the transaction that moves property from one custodial area to another component.

Property Custodial Officers are accountable for the property until it is officially transferred, including transfers to areas designated to manage unrequired or excess property.

Property Custodial Officers must ensure that unrequired property is not left unsecured and unattended while it is awaiting pick up. Violation of this requirement could result in financial liability if loss or damage to the property results.

For Federal Information Processing Equipment, a clearance should be included on the Request for Property Action (HHS-22) that the equipment has been screened and all inappropriate software or confidential information removed prior to transfer.

Screening Unrequired Property

As soon as an item is determined to be unrequired, it will be made available for

screening. At the conclusion of the internal screening period, unrequired property will be made available for screening for 21 calendar days. This means that items will be designated as unrequired property before they are reported to GSA as excess and made available to other Federal agencies.

Concurrent internal screening of DHHS requirements and other Federal Agencies for 21 calendar days is permitted.

EXCESS PROPERTY

At the conclusion of the screening, excess personal property will be reported to the GSA on the Standard Form (SF) 120, Report of Excess Personal Property or in electronic format.

Although the GSA has up to 180 days in which to complete disposal of reportable property, disposal officials should aggressively pursue more timely disposition instructions from GSA and should periodically follow up on their excess property reports with GSA.

Excess Property Transfers

Property transfers to other Federal agencies will be accomplished using the SF 122, Transfer Order Excess Personal Property.

Detailed procedures for the transfer of excess property to other Federal agencies are included in the FPMR and in the DHHS LMM.

Direct transfers of excess personal property need not be approved by the GSA if the items being transferred have not yet been reported to GSA. This type of transfer is described in detail in the DHHS LMM.

Excess property that reaches its Surplus Release Date as established by GSA (maximum of 60 days after receipt of report of excess by GSA) without being transferred to another Federal agency automatically becomes classified as surplus to the Federal Government and the owning organization may then take steps to dispose of it as described below if actions taken by GSA are not timely or successful.

SURPLUS PROPERTY

Property that is designated as surplus to the Federal Government is passed through the disposal process. The disposal process has three possible outcomes:

- Donation to an authorized organization,
- Public sale by sealed bid, spot bid, or auction,
- Abandonment and destruction.

Donation of Surplus Property

The donation of surplus personal property to certified non-Federal organizations is authorized by Public Law 94-519, which amended the Federal Property and Administrative Services Act. The law requires Federal agencies to transfer, through GSA, surplus personal property to State Agencies which, in turn, donate it to (nonFederal) eligible recipients such as:

- Public agencies,
- Nonprofit, tax-exempt educational and public health activities,
- Nonprofit and public programs for the elderly,
- Educational activities of special interest to the armed services,
- Public airports, and
- Public or private nonprofit organizations serving the homeless.

Any approved organization that is a potential of recipient of surplus property must demonstrate evidence of its eligibility. Screeners of surplus personal property will possess the GSA form 2946, "Screener's Identification." Persons who show this form should be given access to surplus property that is made available for screening.

Surplus property will be made available for screening for 21 calendar days before it is sold, abandoned, or destroyed. If surplus property is tagged for release to a State Agency or the District of Columbia, the property will be retained until a GSA-approved SF 123, Transfer Order Surplus Property is received by the holding agency. Departmental guidance requires DHHS components to allow a donee up to 15 days to pick up personal property after the transfer order is approved by the GSA. Property that remains with the holding organization after the donation screening period ends is then made available, through the GSA, for sale to the public.

SALES PROGRAMS

PSC RESPONSIBILITIES FOR THE SALE OF SURPLUS PERSONAL PROPERTY

For PSC organizations that conduct sales of surplus personal property the Property Management Officer or his or her designees will take the following actions:

- ◆ Provide the appropriate GSA regional office with:
 - a completed SF 126, Report of Personal Property for Sale
 - a request for permission to hold the sale (for sales when proceeds are not expected to exceed \$5,000)
 - accounting data for appropriate application of gross proceeds.

- ◆ Transport the property to a consolidated sales site when agreed to by the organization and the GSA sales office.
- ◆ Provide for the inspection of the property by prospective bidders.
- ◆ Provide facilities for the conduct of sales and the essential administrative, clerical, or labor assistance when requested by the GSA.
- ◆ Assist in the physical lotting of the property to be sold.

More details pertaining to program requirements are provided in the FPMR and the DHHS LMM. Questions about sales of surplus personal property may be addressed to the GSA Regional Sales Office.

The objective of sales programs conducted by GSA or DHHS components are to offer property no longer needed by the Federal Government to the public by competitive means. Sales programs are operated under the authority of the Federal Property and Administrative Services Act, as amended. The details of the Federal Property Sales Program are described in Part 101-45 of the FPMR and in Part 103-45 of the DHHS LMM.

The three methods used to sell surplus property are:

- Sealed bid,
- Auction, and
- Spot bid.

Property that is not sold will be disposed of through the surplus property abandonment or destruction process.

ABANDONMENT OR DESTRUCTION OF PROPERTY

Abandonment or destruction is a last resort if attempts to transfer, donate, or sell excess/surplus personal property fail. PSC organizations that intend to abandon or destroy surplus personal property must cite valid authority to do so.

In accordance with FPMR 101-45.902-1, except as provided below, a public notice or the intended abandonment or destruction action will be announced before it occurs. The public notice must be provided for not less than 7 days and will include the following:

- A general description of the property,
- The date and location of the abandonment or destruction action,
- An offer to donate the property to public bodies, and
- An offer to sell the property.

Exceptions to the requirement for public notice are addressed in FPMR 101-45.902-2 and include instances when immediate abandonment or destruction is required due to health, safety, or security considerations, the value of the property makes it uneconomical to advertise the action, or the property is unserviceable and expendable. Also, a single line item of property may be abandoned or destroyed without public notice if it is the only item for which action is required and its acquisition cost is less than \$500.

After the abandonment or destruction action, a certificate of abandonment or destruction in accordance with the DHHS LMM and FPMR 101-48.3 must be signed by an appropriate manager.

AUTHORITY TO ABANDON OR DESTROY SURPLUS PERSONAL PROPERTY

When an agency abandons or destroys surplus personal property, it must cite one of the following justifications:

- The property has no commercial value. This means that the property has neither utility nor monetary value as either an item or as scrap.
- The cost of care, handling, and preparation of the property for sale is greater than its expected proceeds.
- A law, regulation, or directive requires the abandonment or destruction action.
- Written instructions by a duly authorized health, safety, or security official that direct the abandonment or destruction action.

Agency PMOs are the approving officials for the abandonment or destruction of personal property.

Several recurring property management reports are required by GSA, and the Department. PMOs must ensure that property management reports are thorough accurate and completed on time.

Each year, the DHHS Special Acquisition Initiatives Staff will provide a list of dates that property management reports are due. The reports for organizations serviced by the PSC will be prepared and submitted as required.

PART VII

Property Management Reports

Table 1.
Annual Property Management Reports

Report Title	Reference
Precious Metal Reclamation Activity	FPMR 101-45.1002.2
Utilization & Disposal of Excess Surplus Property	FPMR 101-43.4701(a)
Motor Vehicle Data for Domestic/Foreign Fleet	FPMR 101-38.9
Exchange/Sale of Personal Property	FPMR 101-46.301
Property Furnished to Non-Federal Recipients	FPMR 101-43.4701(c)
Aircraft Contract/Rental/Charter Cost & Utilization	FPMR 101-37.507
Inventory of Accountable Personal Property	LMM 103-27
Logistics Best Practices	LMM 103-1.5021